

Message Text

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FOLLOWING TELEGRAM FROM TOKYO DATED NOVEMBER 26,
1976 SENT SECSTATE WASHDC INFO EC BRUSSELS IS REPEATED
TO YOU: QUOTE

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E.O. 11652: N/A

TAGS: EEC, ETRD, JA

SUBJECT: US-JAPAN CONSULTATIONS ON STEEL

REF: A. TOKYO 15887

B. STATE 270945

C. STATE 276084

SUMMARY: EMBOFFS CALLED ON MITI NOV. 26 TO DISCUSS US-JAPAN
STEEL CONSULTATIONS SCHEDULED FOR DEC. 6-7, AND TO SOUND OUT
MITI ON THE RECENT JAPAN-EC CONSULTATIONS. MITI SAID THAT IT
MADE NO FORMAL COMMITMENT TO THE EC TO RESTRAIN STEEL EXPORTS,
THOUGH IT WOULD BE WILLING TO APPROVE A STEEL-PRODUCER DECISION
TO DO SO. MITI REP ALSO DISCUSSED THE PROBLEM OF EXPORTS OF
STEEL SHAPES TO THE EC, AND ASKED US FOR CLARIFICATION OF USG
PLANS FOR THE COMING CONSULTATIONS. END SUMMARY.

1. EMBOFFS MET WITH MITI (IRON AND STEEL INDUSTRY DIVISION
DIRECTOR ISHII) ON NOVEMBER 26 TO DISCUSS PENDING US-JAPAN STEEL
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CONSULTATIONS AND THE RECENT JAPAN-EC TALKS. ISHII STATED THAT NO

"SPECIFIC" COMMITMENTS WERE MADE TO RESTRAIN STEEL EXPORTS TO THE EC. HOWEVER, MITI DID INDICATE THAT IT IS WILLING TO APPROVE A DECISION BY JAPAN'S BIG SIX STEEL PRODUCERS TO CONTINUE THEIR PRESENT VOLUNTARY RESTRAINT AGREEMENT WITH THE EC INTO 1977.

2. ISHII THEN DISCUSSED THE EC'S PARTICULAR CONCERN WITH JAPAN'S EXPORT OF STEEL SHAPES, SAYING THAT BOTH MITI AND THE ECSC AGREED THAT JAPAN'S SHAPED STEEL EXPORTS TO THE EC DURING 1977 WOULD BE "AT A VERY LOW LEVEL." ISHII EXPRESSED MITI'S FEELING THAT THE EC IS BEING "DISCRIMINATORY" IN PRESSING FOR A BLANKET RESTRAINT ON JAPANESE SHAPE EXPORTS WITHOUT IMPOSING THE SAME RESTRICTIONS ON EXPORTS FROM EAST EUROPE. MITI ALSO POINTED OUT THAT SHAPE EXPORTS ARE A PROBLEM SINCE THIS TYPE OF STEEL COMES FROM SMALLER PRODUCERS RATHER THAN THE BIG SIX.

3. IN RESPONSE TO EMBOFF QUERY CONCERNING "ADMINISTRATIVE GUIDANCE" TO THESE SMALLER PRODUCERS, MITI STATED THAT THIS WAS NOT A PARTICULARLY FEASIBLE COURSE OF ACTION. THE LARGEST SHAPE MAKER, TOKYO SEITETSU, LACKS THE USUAL DEPENDENCE ON BANKS AND TRADING COMPANIES FOR ITS ACTIVITIES AND IS THUS RELATIVELY IMPERVIOUS TO "GUIDANCE". ISHII SAID THE COMPANY'S HEAD THINKS HE IS THE GRANDSON OF ADAM SMITH AND REFUSES TO ATTEND CARTEL MEETINGS. SMALLER MAKERS ARE SO FINANCIALLY TROUBLED THAT GOVERNMENT PRESSURE THROUGH THE BANKING SYSTEM WOULD BE COUNTER-PRODUCTIVE.

4. ISHII THEN MADE THE FOLLOWING INQUIRIES:

(A) HOW DEEPLY DO WE WISH TO GO INTO "CURRENT AND PROSPECTIVE" STEEL PROBLEMS, AND ARE WE PREPARED TO EXPLAIN THE US SITUATION? WE SAID THAT AT LEAST HALF A DAY SHOULD BE ALLOWED FOR THAT SUBJECT AND WE WILL OF COURSE BE READY TO COMMENT ON THE US STEEL PICTURE.

(B) WILL IT BE POSSIBLE TO TALK ABOUT THE SECTION 301 COMPLAINT? WE REPLIED THAT WE ARE NOT SURE HOW SPECIFIC WE CAN BE, BUT "POSSIBILITIES" FOR ACTION SHOULD CERTAINLY BE DISCUSSED.

(C) WHAT IS MEANT BY "POSSIBLE FUTURE STEPS"? (REFTEL B). WE DECLINED TO GO INTO DETAIL ON THIS, BUT STRESSED THE IMPORTANCE LIMITED OFFICIAL USE

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OF THE WORD "POSSIBLE". MITI ENDED ITS DISCUSSION BY EMPHASIZING ITS DESIRE TO HEAR USG VIEWS ON SECTORAL PROBLEMS IN STEEL NEGOTIATIONS. IN THIS WE SAW A HINT THAT MITI WILL LISTEN TO, BUT NOT ITSELF SAY MUCH ABOUT A SECTORAL APPROACH TO STEEL IN THE MTNS.

5. COMMENT: MITI WAS AS USUAL RELUCTANT TO SPECIFICALLY DISCUSS ITS UNDERSTANDING WITH THE EC, THOUGH WE GAINED THE IMPRESSION

THAT MITI WILL CONTINUE ITS SUPPORT FOR WHAT IT EMPHASIZES TO BE
THE BIG SIX - ENGINEERED VOLUNTARY RESTRAINT AGREEMENT. MITI
ONCE AGAIN DWELLED AT LENGTH ON THE POINT THAT RESTRAINT
TOWARD THE EC DOES NOT BACKFIRE ON THE US -- EXPORTS THERE,
THEY SAY, ARE DETERMINED BY THE US MARKET (REFTEL A).

HODGSON

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